

Physician practice expense

ISSUE: Can Medicare improve the data sources and methods by which the program determines practice expense (PE) payments for physician services?

KEY POINTS: The PE component of the physician fee schedule pays for the direct (nonphysician clinical staff, medical equipment, and medical supplies) and indirect (administrative staff, office supplies, and other equipment) expenses incurred in operating a practice. PE payments account for about half of the \$53 billion Medicare paid for services under the physician fee schedule in 2003. MedPAC's December 2004 Report to the Congress began to raise concerns about the data sources and methods used by CMS to derive PE payments.

ACTION: Commissioners should provide input on future work in this area.

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